

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Washtenaw County - CSTS Component Unit	County Washtenaw
Fiscal Year End September 30, 2007	Opinion Date March 24, 2008	Date Audit Report Submitted to State March 27, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

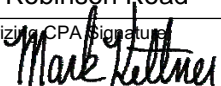
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	(Included in County's Letter)		
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 517-787-6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49203
Authorizing CPA Signature 		Printed Name Mark T. Kettner, CPA, CGFM		License Number 11673



Community...everyone is a member.

**Financial Statements
and
Supplementary Information**

For the Year Ended September 30, 2007



REHMANN ROBSON

Certified Public Accountants

**WASHTENAW COUNTY
COMMUNITY SUPPORT & TREATMENT SERVICES**

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

March 24, 2008

To the Washtenaw County Board of Commissioners
Ypsilanti, Michigan

We have audited the accompanying financial statements of ***Washtenaw County Community Support & Treatment Services, a special revenue fund of Washtenaw County, Michigan***, as of and for the year ended September 30, 2007, as listed in the table of contents. These financial statements are the responsibility of Washtenaw County Community Support & Treatment Services' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only Washtenaw County Community Support & Treatment Services Special Revenue Fund and do not purport to, and do not present fairly the financial position of Washtenaw County, Michigan, as of September 30, 2007, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washtenaw County Community Support & Treatment Services, a special revenue fund of Washtenaw County, Michigan as of September 30, 2007, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Washtenaw County Community Support & Treatment Services. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

FINANCIAL STATEMENTS

WASHTENAW COUNTY
COMMUNITY SUPPORT & TREATMENT SERVICES

Balance Sheet
September 30, 2007

Assets

Cash and pooled investments	\$ 1,330,091
Accounts receivable	305,347
Fees receivable, net	94,072
Prepays	22,171
Due from Washtenaw Community Health Organization	279,859
Due from other governments	20,589
Due from other funds of Washtenaw County	915

Total assets	<u><u>\$ 2,053,044</u></u>
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Liabilities

Accounts payable	\$ 198,745
Accrued payroll	759,237
Due to Washtenaw Community Health Organization	48,596

Total liabilities	1,006,578
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Fund balance

Unreserved, undesignated	1,046,466
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Total liabilities and fund balance	<u><u>\$ 2,053,044</u></u>
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The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
COMMUNITY SUPPORT & TREATMENT SERVICES
Statement of Revenue, Expenditures,
and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Intergovernmental:				
Federal	\$ 679,566	\$ 679,566	\$ 663,004	\$ (16,562)
State	1,180,550	1,180,550	1,300,245	119,695
Washtenaw Community Health Organization	19,020,286	19,020,287	18,414,815	(605,472)
Charges for services:				
Insurance	514,100	514,100	253,810	(260,290)
Other service fees	368,790	368,790	167,016	(201,774)
Other revenue and reimbursements:				
Revenue contracts	22,466	22,466	66,001	43,535
Other	528,734	528,734	598,661	69,927
 Total revenue	 22,314,492	 22,314,493	 21,463,552	 (850,941)
Expenditures				
Board administration	3,515,197	3,515,197	2,580,628	(934,569)
Access and prevention	693,859	693,859	779,850	85,991
Youth and family	2,741,810	2,741,810	2,300,158	(441,652)
Services to the mentally impaired	5,989,865	5,989,866	5,913,140	(76,726)
Services to the developmentally disabled	12,005,712	12,005,712	10,875,998	(1,129,714)
 Total expenditures	 24,946,443	 24,946,444	 22,449,774	 (2,496,670)
 Revenue over (under) expenditures	 (2,631,951)	 (2,631,951)	 (986,222)	 1,645,729
Other financing sources				
Transfers from Washtenaw County	2,480,930	2,480,930	986,224	(1,494,706)
 Revenue and other financing sources over (under) expenditures	 (151,021)	 (151,021)	 2	 151,023
 Fund balance, beginning of year	 1,046,464	 1,046,464	 1,046,464	 -
Fund balance, end of year	\$ 895,443	\$ 895,443	\$ 1,046,466	\$ 151,023

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY COMMUNITY SUPPORT & TREATMENT SERVICES

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Washtenaw County Community Support & Treatment Services (CSTS or the “Fund”; formerly known as Washtenaw County Community Mental Health Fund) is used to account for the provision of certain mental health services to citizens of Washtenaw County. From 1965 through 2001, the Fund was administered by the Community Mental Health Board (the “Board”), created by a resolution of the County Board of Commissioners pursuant to Act 54 of the Public Acts of 1963, as amended. In 2001, the County Board of Commissioners assumed the administration of the Fund.

Effective October 1, 2000, the Washtenaw Community Health Organization (WCHO), a separate legal entity formed by Washtenaw County and the University of Michigan pursuant to the Urban Cooperation Act (Public Act 7 of 1967), replaced the Board as the official community mental health service provider for Washtenaw County, as specified in the full management contract with the Michigan Department of Community Health (MDCH). Washtenaw County serves as a primary subcontractor of WCHO, and accounts for its activities relative to its contract with WCHO in the Fund.

Reporting Entity - These financial statements represent the financial condition and the results of operations of a special revenue fund of Washtenaw County, Michigan (the “County”) and are an integral part of that reporting entity. CSTS is not a component unit of Washtenaw County or any other reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*.

Basis of Accounting - The County uses a special revenue fund (i.e., a separate accounting entity with a self-balancing set of accounts, using the modified-accrual basis of accounting) to report the financial position and the results of its community mental health operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions and activities.

Receivables - Receivables consist primarily of fees and other such charges for services to first or third party payors, which are shown net of an allowance for uncollectible accounts based on an estimate of collectability by management.

In addition, because of the close relationship between WCHO and CSTS, and the numerous transactions between the two entities during the year, certain amounts are reported as due to/due from WCHO. These amounts are short-term in nature, and are generally paid or received within 30 days.

**WASHTENAW COUNTY
COMMUNITY SUPPORT & TREATMENT SERVICES**

Notes To Financial Statements

Short-term Interfund Receivables/Payables – During the course of operations, numerous transactions occur between CSTS and Washtenaw County for goods provided, services rendered or the transfer of County appropriations. These receivables and payables are classified as “due from (to) other funds of Washtenaw County” on the balance sheet.

Budgetary Accounting – CSTS is under formal budgetary control and follows both the County and WCHO’s annual budget process in establishing the budgetary data presented in the financial statements. The annual fiscal budget is adopted on a basis consistent with generally accepted accounting principles and the requirements of the MDCH as passed-through by WCHO.

Over budget variances at the legal level of control are as presented on the Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual.

Concentration – CSTS derives substantially all of its revenue from WCHO and provides services almost exclusively to WCHO clients. Accordingly, discontinuation of WCHO’s contract could adversely affect the Fund’s operating results.

2. CASH

CSTS, along with the various other funds and component units of the County, participates in the County’s pooled cash management accounts. Information regarding this cash management pool is presented in the County’s comprehensive annual financial report.

3. FEES RECEIVABLE, NET

Receivables for service charges to first and third-party payors consisted of the following at September 30, 2007:

Medicare	\$ 300,943
Third-party	29,734
Other receivables	<u>52,803</u>
	383,480
Less: Allowance for uncollectible accounts	<u>(289,408)</u>
Fees receivable, net	<u>\$ 94,072</u>

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SUPPLEMENTAL SCHEDULE

WASHTENAW COUNTY
COMMUNITY SUPPORT & TREATMENT SERVICES

Schedule of Mental Health Service

Program Expenditures

For the Year Ended September 30, 2007

	<u>Board Administration</u>	<u>Access and Prevention</u>	<u>Youth and Family</u>
Expenditures			
Personnel	\$ 1,461,657	\$ 613,548	\$ 1,674,962
Client expenses	2,083	-	7,759
Contracts	111,213	107,230	311,715
Cost allocation	848,851	30,111	75,910
Operations	156,824	28,961	229,812
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u><u>\$ 2,580,628</u></u>	<u><u>\$ 779,850</u></u>	<u><u>\$ 2,300,158</u></u>

Services to the Mentally Impaired	Services to the Developmentally Disabled	Total
\$ 5,172,526	\$ 9,225,827	\$ 18,148,520
26,972	421,887	458,701
25,298	209,318	764,774
404,855	332,572	1,692,299
283,489	686,394	1,385,480
\$ 5,913,140	\$ 10,875,998	\$ 22,449,774